AR20

STANDARD TRUST COMPANY

1975 ANNUAL REPORT

STANDARD TRUST COMPANY

Board of Directors

Arthur S. Armstrong, Toronto
George M. Clemons, Brantford, Ontario
Paul A. Kates, Toronto
Donald H. Koyl, Saskatoon
E. Bruce McConkey, Toronto
Douglas V. N. McCutcheon, Toronto
Harvey J. McFarland, Picton, Ontario
Michael J. Murray, Ottawa
William L. Paton, Toronto
George Rodanz, Thornhill, Ontario
William C. Whiteside, Toronto
Bertram E. Willoughby, Toronto
Marie Wilson, Q.C., Toronto
Director Emeritus
The Hon. W. Earl Rowe, P.C., LL.D., D.Sc., Soc., Newton Robinson, Ontario

Executive Officers

William C. Whiteside, *President and General Manager*
Bertram E. Willoughby, B.S.A., P.Ag., F.R.I., C.R.E., *Vice President*
William L. Paton, C.G.A., M.T.C.I., *Vice President, Finance and Treasurer*
James Wood, *Assistant General Manager, New Business Development*
Ian Gemmell, C.R.A., *Assistant General Manager, Mortgages*
Bruce B. Upshall, F.C.I.S., M.T.C.I., *Secretary*
H. Bruce Miller, *Branch Administration officer*

Corporate Office

Commerce Court South
Suite 401, P.O. Box 43
Toronto, Ontario
M5L 1B5

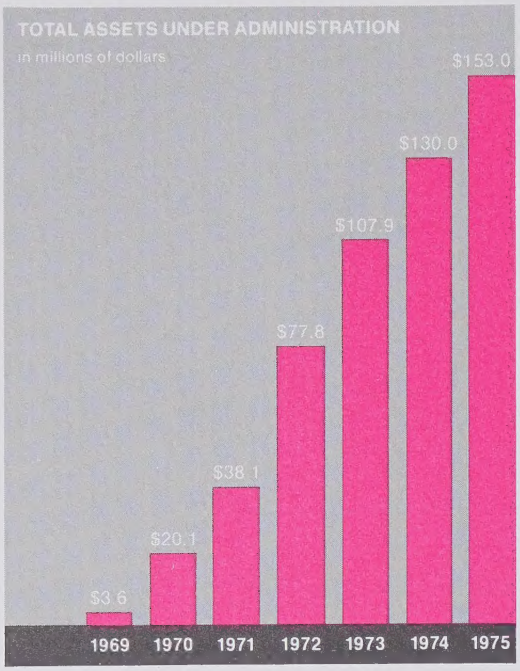
Contents

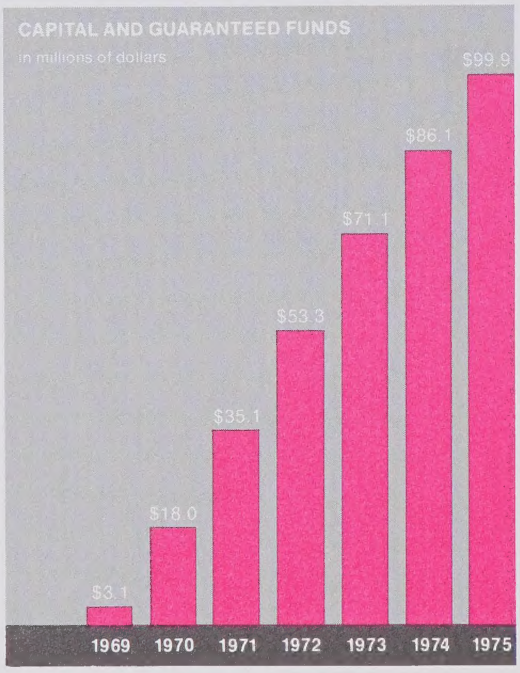
1 Highlights
2 Controlled Growth
3 Report to the Shareholders
6 Auditors' Report to the Shareholders
7 Statement of Income
8 Balance Sheet
10 Statement of Retained Earnings
11 Notes to Financial Statements

HIGHLIGHTS

	1975	1974	1973	1972	1971
Total Assets (not including assets held for estates trust and agencies)	**$99,910,588**	$86,081,108	$71,065,822	$53,277,588	$35,094,610
Deposits, Guaranteed Investment and Savings Certificates	**$81,286,032**	$68,662,414	$56,334,836	$43,376,649	$29,070,934
Mortgages Receivable including blanketed loans	**$87,262,457**	$75,594,957	$61,778,702	$45,078,393	$28,786,113
Estate, Trust and Agency Assets	**$53,159,594**	$43,934,280	$36,842,157	$24,571,710	$ 3,007,888
Net Operating Income	**$ 402,282**	$ 351,768	$ 317,558	$ 243,501	$ 97,359
Net Operating Income per Share	**$ 1.35**	$ 1.18	$ 1.30	$ 1.20	$ .63
Average Outstanding Shares	**297,744**	297,744	244,090	202,113	153,714
Shareholders' Equity	**$ 4,595,824**	$ 4,224,842	$ 3,886,259	$ 2,717,160	$ 1,936,427
Shareholders' Equity per Share	**$ 15.44**	$ 14.19	$ 13.05	$ 11.82	$ 10.61

CONTROLLED GROWTH





REPORT TO THE SHAREHOLDERS
February 6, 1976

The Directors and Management of Standard Trust Company are pleased to report to you upon another year of satisfactory progress.

Net income increased by 14.4% to $402,282 and the resultant net income per share rose to $1.35 for 1975 compared to $1.18 for 1974.

After tax, operating income improved steadily throughout fiscal 1975 and this may be best viewed on a quarterly per share basis as follows:

Net operating income per outstanding share

	1975	1974
1st Quarter	**$ .29**	$ .29
2nd Quarter	**.33**	.31
3rd Quarter	**.35**	.30
4th Quarter	**.38**	.28
	$1.35	$1.18

There were no security gains or losses during 1975.

Total assets owned and under administration increased by 17.7% to $153,071,726 at year's end. Assets owned increased by 16.1% during 1975 and stood only $90,000 short of exceeding $100,000,000 on December 31st, 1975. The latter milestone was passed within a few days following the year's end.

Deposits and Guaranteed Investment Certificates

Gross Guaranteed Investment Certificate sales of $22,600,000 together with an increase in demand deposits, resulted in a net growth of $12,623,618 in the Company's Guaranteed Trust account during 1975, an increase of 18.3%. As at December 31st, 1975, the total of the Guaranteed Trust account stood at $81,286,032, including 17,319 certificates with an average of $4,240 each and a noteworthy average term of 4.83 years.

Mortgages

During 1975, mortgages receivable increased by 15.4% or $11,667,500, somewhat short of our lending expectations for the year. We actually renewed or disbursed $17.4 Million by way of new mortgage loans during 1975, but the renewal rate of mortgage loans on which the interest rate term expired during 1975 was lower than expected. It is, of course, understandable that when prime mortgage interest rates rise to more than 12%, as they did during the past year, more mortgage clients will repay or reduce their mortgage debt than otherwise would. This was especially true of industrial and commercial loan clients who found their bankers willing to provide them with temporary commercial loans to discharge mortgages which were subject to renewal and so enable them to await, hopefully, lower future mortgage interest rates before renewing their mortgage loan needs.

Total mortgages administered now exceed $87 Million in amount, involving 2,469 properties of which 96.8% are residential in nature. Insured loan balances amount to 46.2% of the total portfolio value. The sum of monthly mortgage payment arrears, past due two or more months, was less than 3/100 of 1% of the total mortgage portfolio on December 31, 1975.

Current high property values and the passage of time have reduced the frequency of mortgage "blanketing" (also called "umbrella" or "wrap-around") opportunities for your Company. We now find that the outstanding mortgage

loans placed upon properties more than 10 years ago, at then relatively low mortgage interest rates are, in many cases, too small to be profitably "blanketed" when such properties are re-sold. This situation is reflected on the Combined Balance Sheet which shows a small increase in the amount of mortgages payable during 1975 compared to 1974, after allowing for normal mortgage monthly repayments and discharges. The ability to blanket existing mortgages was of benefit to both the Company and its mortgage clients but now that your Company has a greater volume of mortgage loans to administer, the reduction of this type of mortgage loan will not affect its earnings.

Estates, Trusts and Agencies

Assets under administration increased by 17.7% to $53,159,594 as at December 31st, 1975. As in prior years the bulk of this increase came from additional contributions to pension trust funds of which we are either the custodian or an agent. Standard Trust Company does not offer management investment services to pension trust funds.

During 1975 we introduced new Registered Home Ownership Savings Plans, as well as a new Registered Retirement Savings Plan. We feel that the latter will be particularly attractive to the serious retirement plan builder as it is based upon the use of our 5 year term Guaranteed Investment Certificates and their inherent higher than regular savings account interest rates.

Borrowing Power

Shareholders will note on the Combined Balance Sheet that the total of Term Deposits and Short-term Notes as at December 31st, 1975 was greater than on the same date in 1974.

Part of the increased liquidity was provided to maintain Standard Trust's continued qualification for an increase in its legal borrowing multiple (leverage) as provided for in the 1974 amendments to Section 70 of the Trust Companies Act (Canada) and the associated regulations. Following the Company's filing of data to meet the prescribed tests, we were advised by the Department of Insurance that Standard Trust would be eligible to apply for an increase from 20 times to 23 times in its borrowing multiple. Such application would be subject to the current policy of the Department of Insurance of required qualifying trust companies to issue a specified amount of subordinated notes.

While the management of your Company has certain reservations about the issuance of subordinated notes, we nevertheless feel that every opportunity to improve the Company's earnings must be explored to the fullest and we are, accordingly, engaged in seeking a placement of subordinated notes with terms which we can recommend to the Directors.

Directorate

During 1975 we received with regret the resignations of the Hon. Louis P. Beaubien of Montreal and Mr. Thomas N. Shea of Markham as Directors of the Company. Senator Beaubien had been a director of the Company since 1966 and Mr. Shea since 1973. Both of these gentlemen made a significant contribution to the Company's affairs.

Corporate Investments

During 1975 there was little change in the Company's bond holdings. However, investments in stocks increased by 75.8% to $1,567,015. All of the newly acquired stocks are preferred shares issued by Canadian utility companies which issues in recent years have features which are particularly suitable to trust companies.

Branches and Premises

Two new Mortgage offices were opened during 1975. The first office was opened in Ottawa in May and the second in Hamilton in December. The results from the Ottawa office have been very satsifactory, and we look forward to the Hamilton office being equally successful. Both offices service mortgage loan clients within a forty mile or so radius of their respective locations.

The need for larger premises for our Toronto Mortgage Department also became apparent during 1975 and these offices were subsequently moved to 220 Bay Street, Toronto, in November.

During 1976, we intend to continue with our program of opening representative offices in a number of selected communities.

Organization

The continuing growth of Standard Trust requires us to periodically re-organize the Company's operating structure. The success of these organizational moves is revealed in the fact that Standard Trust employs only 45 people, including part-time staff, with a noteworthy ratio of $2.2 Million of owned assets per employee.

Appointments resulting from a recent Company re-organization are: Mr. Ian Gemmell, C.R.A. as Assistant General Manager, Mortgages, and Mr. H. Bruce Miller as Branch Administration Officer. As evidenced in this paragraph and in the results mentioned throughout this report, Standard Trust has a dedicated and diligent staff. Their services are very much appreciated by your Directors and Management.

Controlled Growth

As mentioned in previous Annual Reports, your Company has followed the practice of matched deposit liabilities and investment maturities since 1969, long before this practice became fashionable in the trust industry. A review of the net operating income over the past years will show that the practice has insulated your Company reasonably well against the effects of gyrating interest rates.

Our practice of matching maturities is part of an overall policy which we have labelled "Controlled Growth" in which we attempt to harmonize and balance your Company's objectives. It is a complex exercise of modifying, directing, regulating and interrelating these objectives and the practice pervades all operations of the Company, from the way in which we invest the capital funds of the Company to the provision of adequate levels of supervision before any expansionary activities are undertaken.

The controlled growth program is designed to enable us to operate your Company constantly at its most efficient level with the aim of steadily improving upon the year to year earnings.

The Year Ahead

The objectives of your Company for 1976 have been set and they are not unlike those of prior years. They emphasize good solid growth with a satisfactory return to the shareholders.

With inflation now somewhat abating and with an apparent recovery trend in the economy, we look forward to a continuing improvement in the business climate during 1976. This will assist Standard Trust in fulfilling its desired goals.

W. C. Whiteside, President and General Manager.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the combined balance sheet of Standard Trust Company and its Guaranteed Trust Fund as of December 31, 1975, and the statements of income and retained earnings of the company for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company and its Guaranteed Trust Fund as of December 31, 1975 and the results of operations of the company for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co., Chartered Accountants
Toronto, Ontario, January 8, 1976

STATEMENT OF INCOME

Year ended December 31, 1975 with comparative figures for 1974

	1975	1974
Revenue:		
Interest on mortgages	**$7,041,883**	$5,746,695
Interest and dividends from investments	**822,106**	838,526
Fees and commissions	**69,414**	58,084
Other	**83,675**	67,720
	8,017,078	6,711,025
Expenses:		
Interest on demand deposits and guaranteed investment certificates	**6,334,131**	5,226,680
Staff salaries and benefits	**553,253**	496,427
Other operating expenses, including depreciation $26,393 (1974—$25,784)	**549,612**	480,650
	7,436,996	6,203,757
Operating income before income taxes	**580,082**	507,268
Income taxes (note 5)	**177,800**	155,500
Net income	**$ 402,282**	$ 351,768
Earnings per share	**$ 1.35**	$ 1.18

See accompanying notes to financial statements.

COMBINED BALANCE SHEET

Standard Trust Company and its Guaranteed Trust Fund.

December 31, 1975 with comparative figures for 1974

ASSETS	1975	1974
Cash	**$ 284,667**	$ 298,323
Term deposits and short-term notes	**3,431,695**	1,862,808
Securities (note 2):		
Bonds	**6,778,832**	6,904,019
Stocks	**1,567,015**	892,988
	8,345,847	7,797,007
Mortages receivable	**87,262,457**	75,594,957
Other assets	**496,661**	422,359
Fixed assets:		
Leasehold improvements and equipment	**220,216**	212,608
Less accumulated depreciation	**130,955**	106,954
	89,261	105,654
	$99,910,588	$86,081,108

See accompanying notes to financial statements.

LIABILITIES	1975	1974
Guaranteed trust account (note 3):		
Demand deposits	$ 5,752,071	$ 5,107,385
Guaranteed investment certificates	75,533,961	63,555,029
	81,286,032	68,662,414
Mortgages payable	13,346,335	12,724,362
Accounts payable and accrued expenses	71,097	35,990
Deferred income taxes (note 5):	611,300	433,500
Shareholders' equity:		
Capital stock (note 4):		
Authorized—500,000 shares of a par value of $10 each.		
Issued and fully paid—297,744 shares	2,977,440	2,977,440
Contributed surplus	271,581	271,581
Retained earnings	1,346,803	975,821
Total shareholders' equity	4,595,824	4,224,842
	$99,910,588	$86,081,108

We certify that, to the best of our knowledge and belief, the above statement is correct and shows truly and clearly the financial condition of the company's affairs.

President

Director

Director

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1975 with comparative figures for 1974

	1975	1974
Balance at beginning of year	**$ 975,821**	$ 637,238
Net income	**402,282**	351,768
	1,378,103	989,006
Refundable dividend tax	**31,300**	13,185
Balance at end of year	**$1,346,803**	$ 975,821

See accompanying notes to financial statements.

1. Summary of significant accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles and those of particular significance are set out below:

(a) Accounting presentation:
The combined balance sheet includes the assets and liabilities of the company and of its Guaranteed Trust Fund.

(b) Investments:
Bonds and mortgages are stated at amortized cost with discounts and premiums amortized over the term to maturity. Stocks are stated at cost. Gains and losses on investments are recorded only upon realization of such investments except where there are anticipated losses, at which time, a provision is made to cover the estimated losses.

(c) Fixed assets:
Leasehold improvements and equipment are recorded at cost. Depreciation is based on the estimated useful life of the assets, calculated on a straight line or diminishing balance method as considered most appropriate for each type of asset.

(d) Income taxes:
Income taxes are provided on reported income in accordance with the tax allocation method. Under this method deferred income taxes are provided for timing differences between reported and currently taxable income.

(e) Commissions and finders' fees:
The costs of commissions and finders' fees paid on the sale of guaranteed investment certificates or acquisition of mortgages are deferred and amortized by charges to income over the terms of the certificates and mortgages.

(f) Earnings per share:
Earnings per share have been calculated using the weighted average of shares outstanding during the year.

2. Securities

Cost and market values:

	1975		1974	
	Cost	**Market**	Cost	Market
Bonds				
Government of Canada	**$ 517,607**	**$ 485,594**	$ 568,884	$ 553,033
Provinces of Canada	**4,450,283**	**3,655,998**	4,500,895	3,795,429
Corporate	**1,810,942**	**1,476,829**	1,834,240	1,515,801
	6,778,832	**5,618,421**	6,904,019	5,864,263
Stocks	**1,567,015**	**1,447,363**	892,988	734,350
	$8,345,847	**$7,065,784**	$7,797,007	$6,598,613

3. Assets of the Guaranteed trust fund

Included in the combined balance sheet are the following assets of the Guaranteed Trust Fund:

	1975	1974
Cash	**$ 180,912**	$ 219,351
Term deposits and short-term notes	**3,039,176**	1,297,660
Bonds	**4,149,822**	4,274,808
Mortgages	**73,916,122**	62,870,595
	$81,286,032	$68,662,414

4. Capital stock

Options expiring in February, 1981 are outstanding to purchase 9,000 shares of the capital stock of the company at $10 per share. The exercise of options outstanding would not materially dilute earnings per share.

5. Income taxes

Income taxes have been provided on the basis that the company is a private corporation as defined in the Income Tax Act with its income since January 1, 1972 from capital funds investments being classed as "Canadian Investment Income", subject to a reduced rate of tax.

No income taxes are currently payable as the company claims for income tax purposes reserves in respect of investment and mortgages in amounts greater than those recorded in the accounts.

6. Commitment

The company leases premises under agreements covering various periods extending to 1982. Aggregate rentals payable under these leases amount to $204,000 of which $79,000 will be payable in 1976.

7. Contingent liability

The company and 10 other parties are co-defendents in a legal action claiming $200,000 plus costs from the said parties. In the opinion of the company's solicitors, the merit of the litigation and consequently the company's liability, if any, can not be determined at this time.

8. Directors' and officers' remuneration

The aggregate direct remuneration of directors and senior officers during the year was $178,165 (1974—$166,098).

STANDARD TRUST COMPANY

Client Services Staff

Regional Supervisor, Toronto
Lawrence G. Aldebert

Mortgage Department, Toronto
Dianne L. Logue
Glenn A. Campbell
William B. Richardson
Derek Allaway

Administrative Managers

Assistant Treasurer
James W. McMahon

Assistant Comptroller
Vera N. Horniak

Services

Savings
Guaranteed Investment Certificates–
1 to 5 year terms
Guaranteed Savings Certificates–
cashable at any time
Savings Accounts
Chequing Accounts
Deposit-by-Mail Service

Loans
High-ratio house mortgages
High-ratio apartment building mortgages
High-ratio industrial and commercial mortgages
Collateral loans on approved securities

Custodianship
Custodian for pension and other employee
benefit funds
Custodian of securities

Agency
Agent for the investment of moneys, and collection
of dividends, interest, rent and the
principal of mortgages, bonds and stocks
Agent for the management of estates
Agent for real estate, mortgages and
lease back agreements
Agent for endowment funds, collection
of pledges, etc.

Corporate Services
Transfer agent and registrar of shares
Dividend disbursing agent
Trustee for bond holders and registrar for bonds

Retirement Savings Plans
Guaranteed Retirement Savings Plans

Registered Home Ownership Savings Plans
Two guaranteed plans available

Branch and Representative Offices

Hamilton, Ontario
Suite 411, 20 Hughson Street, South
Barry R. Mendel, *Manager*

Markham, Ontario
8 Wellington Street, West
B. A. Patton, *Manager*

Ottawa, Ontario
Suite 515, 130 Albert Street
John S. Lozinski, *Manager*

Picton, Ontario
The Armoury Mall
Virginia F. Ralley, *Manager*

Toronto, Ontario
214 Bay Street
Kenneth Erickson, *Manager*

Walkerton, Ontario
339 Durham Street, East
Raymond A. Bolt, *Manager*

Woodstock, Ontario
382 Dundas Street
Richard N. Morphew, *Manager*

Toronto Mortgage Department

220 Bay Street
Ian Gemmell, *Assistant General Manager*

Standard Trust Company–Member Canada Deposit Insurance Corporation

Printed in Canada